

ECONOMY AND EFFICIENCY

IN THE

GOVERNMENT SERVICE

ADDRESS BEFORE THE UNION
LEAGUE CLUB OF CHICAGO
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BY
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ECONOMY AND EFFICIENCY IN THE GOVERNMENT SERVICE.

George Washington's administration conducted the public business with only 136 employees. President Taft, in reply to a Senate resolution yesterday, said that the total number of officers and employees of the United States Government was 411,322, exclusive of enlisted men and officers of the Army and Navy. After two short and pleasant years in the Government service, I wish, before leaving it, to say, in the first place, that economy and efficiency really do exist in a high degree in certain activities of the Government. What private business concern receives at any price such able, loyal service as the people receive from the Federal judiciary or from the officers of the Army and the Navy? Chief Justice White is paid \$13,000 per year. Col. Goethals, in supreme control of one of the greatest public works ever undertaken, receives a salary of \$15,000. Gen. Crozier, Chief of Ordnance, who can build a 14-inch Navy gun at Watervliet Arsenal for \$59,400, including in the cost the usual commercial overhead charges, interest on plant, depreciation, etc., as against the lowest bid of \$74,770 from a private concern, is paid \$6,000 per year. Dana Durand, who in two short years has developed a huge organization on nonpolitical lines, and is expending \$12,000,000 with the utmost skill and economy in an accurate census, is paid \$7,000 per year. Joseph E. Ralph, Director of the Bureau of Engraving and Printing, an Illinois man, one of the ablest, most courageous, and determined soldiers who ever fought in the war on extravagance and waste, whose inventive methods have saved millions for the Government, is paid \$5,500 per year.

Despite such shining examples, and I could mention many others, I am convinced that President Taft's inquiry into economy and efficiency of the Government will ultimately result in immense annual savings, because an analysis by experts of the business methods of any Government bureau almost always indicates a saving of a substantial percentage in yearly expenses.

The two great causes of waste and inefficiency in the Government service are, first, lack of administrative control and, second, discouragement and indifference of the personnel.

Let us consider first the question of administrative control. The President is, so to speak, the head of a business that expends approximately one thousand millions per year. He is assisted by appointive administrative officers, the most important of whom have an average tenure of less than three years, who are without previous experience in the Government service, and who are therefore forced to rely largely upon their subordinate bureau chiefs for information. A President, a Cabinet, and their assistants must all be men of high capacity, competent to assume large responsibilities; but at the present time they have not sufficient means of securing the data necessary to think intelligently and act intelligently on the business under their control. The first step in the expenditure of this thousand million dollars is a request for appropriation from Congress. This request is made in the form of an estimate by the executive officers of the Government. The estimates, however, do not go to Congress in the form of a budget, with the objects of expenditure classified in a businesslike way. There is no statement such as would be presented to a board by the head of a corporation, nor are the needs of the departments considered as a whole.

One great bill, called the "legislative bill," is supposed to represent salaries. The "sundry civil bill" is supposed to represent the general expenses of the executive departments. Now, the legislative bill does not include all of the salaries, and it does include many general expenses. The sundry civil bill does not include all of the general expenses; it includes many salaries and much general legislation. This is demonstrated by the fact that according to the Treasury classification of expenditures for the year 1910, based on appropriations, \$132,000,000 were spent for personal services, whereas, as a matter of fact, in excess of \$300,000,000 were expended for salaries in 1910. These two bills go before the so-called "House Committee on Appropriations." But entirely independent of the Appropriations Committee of Congress there are seven other committees which have charge of bills carrying appropriations. The Army bill is submitted to the Military Committee, and the chairman of the Military Committee consults not at all with the chairman of the Appropriations Committee when determining how much money to appropriate for the Army. He works entirely independently of him, just as the chairman of the Naval Com-

mittee, in charge of the naval bill, works entirely independent of the other two. Then there is the Post Office Committee, and the Indian Committee, and the Foreign Affairs Committee, and the Rivers and Harbors Committee, and the Agricultural Committee. All of these committees have before them estimates upon which they are to make appropriations, each chairman reporting such a bill as in the judgment of his committee should be reported direct to the House, without any consultation or team play with the other chairmen. And what is the result? Utter lack of control on the part of Congress, and, indeed, a kind of competition between the committees for the acquisition of power represented by large appropriations, instead of a judicial consideration of the needs of the service as a whole.

Suppose Congress were to correct this decentralization and were to consolidate the consideration of all estimates into one general appropriations committee? This of itself would not enable Congress to think and act intelligently on public expenditures, for the reason that the form in which the estimates are submitted, and in which the law requires them to be submitted, gives the Congressman none of the real information which he needs in order to form an intelligent judgment as to whether the estimate should be granted. There is nothing in the estimate to indicate what has been the cost in the past of doing the work for which an appropriation is asked. There is nothing to indicate whether the work has been done economically or not; and the only way in which the Congressman can form a judgment on that subject is to call in the bureau chief, and indulge in a sometimes friendly, sometimes critical, and often protracted debate. Congressmen are not expert accountants, nor are they expert administrators. Indeed, the bureau chiefs too often are not; and, as a result, the stenographic reports of the cross-examinations of bureau chiefs by the congressional committees are as a rule either a very amusing or a very pathetic commentary on the system.

I remember, for instance, sitting in the room of the Appropriations Committee for the larger part of one afternoon while the entire energies of six or eight distinguished Congressmen were concentrated upon an effort to demonstrate to a stubborn bureau chief that a shed which he proposed to build for some guinea pigs, kept for experimental purposes, should be made of wood and not of concrete.

Frequently an Appropriations Committee chairman, like Randall or Tawney, by long residence in Washington and by careful and painstaking work, becomes so familiar with the activities of certain of the bureaus as to become a highly intelli-

gent critic of their work. But the only way to bring about economy and efficiency in all the Government is to so organize the business of the Government that the administrators themselves shall have accurate information on those points with regard to which an administrator must be advised in order to act intelligently. Congress needs that same information. All this public money is spent for something. Every dollar of it goes into some object of expenditure, and we must stop talking about expending our money in legislative bills, and in military bills, and in naval bills, and in sundry civil bills; and we must begin to talk about expending our money in "salaries," in "traveling expenses," in "material," in "equipment"—things that can be precisely defined down to the last detail. In other words, all the objects of expenditure of the Government must be completely and accurately classified; the man who spends money must indicate on the expenditure document exactly what he spent it for, and then a judgment can be formed whether he spent it well or ill. The Government of the United States must get down to the humble details of devising intelligently its requisitions, its orders, its vouchers; it must provide for a simple and effective system of inspection and audit. It must provide, as it does not do at the present time, a method of accounting and reporting which will promptly and accurately inform the officer as to what is going on.

The Daily Treasury Statement of disbursements and the records of the expenditures are based mainly upon advances to disbursing officers. As a result, there can be only a rough approximation to the cost of operation—one month with another, one year with another. The auditors, under the present system, act on a transaction five to nine months after the transaction has taken place. There are always in the hands of disbursing officers and auditors unaudited vouchers amounting to from four to seven hundred millions of dollars. There are outstanding unknown millions of bills which have not been vouchered, and other unknown millions of unpaid vouchers of which no record is made. Not only is the amount of the liabilities an unknown quantity to the administrator, who is running his bureau or division, but in many instances he does not even know what contracts have been entered into, what purchasing orders are outstanding, and what amount of money he really has to run it with. Worse than this, much evidence presented to the auditor for the settlement of claims is such as would not be received as evidence in a court. Imagine a Federal court passing upon the validity of claims aggregating one thousand millions per year, and basing decisions upon hearsay evidence,

with practically no statement of fact from the persons who have knowledge of what actually took place.

Under such conditions, if a man goes into public life in Washington, and if he wishes to be comfortable and popular, he will bow to ancient customs, to systems devised 100 years ago; he will become a dignified automaton. If he tries to make changes he will incur the enmity of individuals in and out of the service and of their newspaper friends; he is certain to be misunderstood, and he is liable to be viciously attacked. As a result, men keep away from the dry subject of administrative betterments automatically, and confine their attention to questions of public policy, politics, and the other pleasanter and more diverting occupations than the study of economy and efficiency. After a short period, it becomes very clear to any subordinate official in any department that "economy and efficiency" is bad politics, and is a subject to be avoided, unless the head of the department is intensely interested. In the same way, if the head of a department interests himself in that subject and gets results he will be disheartened if extravagance and waste go unchecked in other departments or in Congress. While he may, by hard toil, save his thousands or even millions, some colleague or the Congress may be spending freely and without regard to his laborious savings. It is clear that control of Government expenditures can never be obtained until the President himself, his Cabinet, and the committees of Congress jointly interest themselves in the enterprise.

President Taft has taken the initiative. He has established an inquiry into the economy and efficiency of the Government, and has organized committees on this subject in all of the departments. Several hundred men are now studying the subject under expert direction. This inquiry should not end until the President and the Congress have joined hands to correct the method of recording transactions, inspecting, auditing, and reporting transactions and results, so that Congress and the President can get an intelligent view of what is going on, and anyone who is interested can go right down through the Book of Estimates, down through the bureau chief to the thing bought and the man who bought it, the service performed and the man who performed it, and form a judgment as to whether that money was expended well or ill. The reclassification of the estimates which is being made under the direction of the President indicates, for instance, that for the current year the Government of the United States proposes to expend about \$12,000,000 in traveling expenses.

Probably never before was it known how much the Government expended or expected to expend in traveling expenses in any one year. Traveling expenses are buried away in miscellaneous and contingent expense accounts, where they can not be reached and can not be analyzed. The very fact that so much as \$12,000,000 goes into traveling expenses arouses curiosity, and, although the inquiry has hardly begun, it has already been discovered that in many well-run bureaus the Government gets the benefit of the lowest mileage rate, and that in one of the greatest departments a system of transportation orders results in that department paying 10 per cent more for a trip from Washington to New York and return, for illustration, than you and I would pay if we bought our transportation as individuals intelligently. If there is a possibility of a 10 per cent saving on a \$12,000,000 item of expenditure, that is exceedingly interesting to any administrator.

If a committee of experts on transportation can go into the travel accounts of every department and bureau and division of the Government; if they can find on the travel voucher or the expenditure document an accurate statement of precisely what kind of ticket was bought, then the administrator, the Congressman, or the citizen, or their expert whom they employ to analyze expenditures for them, can form an accurate and intelligent judgment as to whether that expenditure was made economically and efficiently. And not until our disbursements are so classified, not until the expenditures are so recorded, can we go back to the expenditures themselves and form intelligent judgments. This is no small undertaking, but it has been begun, and well begun, and it will be finished, under the persistent, businesslike direction of the President of the United States.

The second bar to economy and efficiency in the Government service concerns the personnel, and of that I shall say only this: Civil-service reform has captured this country. The Government of the United States, with important exceptions, is now almost entirely within the classified service. I congratulate the civil-service reformers on their wonderful achievements in this direction. It is a pity that the higher officers of the Government, men who are not responsible for questions of policy but men of the grade of Assistant Secretaries of the departments and Assistant Attorneys General, are not within the classified service, for it is not right, it is not good business, to withhold the prizes of business or of Government from the more intelligent and efficient men lower down in the ranks.

You have nearly succeeded in the fight to keep the spoilsman out and to get the efficient man in. Now, what practical suggestion do civil-service reformers offer for the benefit of the keen and efficient man in the civil service, who has worked hard and well, but who is discouraged because he sees no hope of promotion as a reward for effort? What incentive will you offer him to offset the large rewards that follow the keen and efficient man in private life? And what do you propose to do about getting the efficient man out of the public service when he becomes inefficient or superannuated? The Government service is paralyzed by the presence in it of probably 25 per cent of its servants who have become incompetent either through superannuation or for other reasons. In my personal judgment, some system to compel Government employees to save from their current salaries sufficient funds to provide themselves with old-age pensions—some such system as that recommended by Congressman Gillett, of Massachusetts, in the bill before the present Congress—is imperatively necessary. If we want efficiency and economy, we must adopt some such system, for administrators can not or will not thrust out of the Government service old and faithful employees when they have worn themselves out and are no longer efficient.

I think it may be interesting to you to be reminded that the problem of economy and efficiency in government is not a new problem and that President Taft's inquiry into economy and efficiency finds its analogy in a project of the Emperor Augustus 27 years before Christ, which is described in Ferrero's *Greatness and Decline of Rome*:

The better to supervise the financial administration without infringing constitutional limits, he (Augustus) proceeded to organize in his own house, for his personal use, a kind of treasury department, composed of the most intelligent and instructed of his numerous slaves and freedmen. As president of the senate, consul, and proconsul of three great provinces, he had no difficulty in providing his clerks with all details of revenue and expenditure; it then became their duty to keep the imperial accounts so that he could tell at any moment what the revenue or the expenditure of the republic might be, the amount produced by different branches of taxation, the expenses incurred by the several departments, and the measure of the national debt. Armed with these private accounts, which were often more accurate than those kept by the *prae-fecti aerarii Saturni* (the deputy public treasurers), he was able to test any proposal for financial reorganization which might be submitted to the Senate; he could warn or censure personally or through the senate magistrates who incurred useless expense or

were neglectful in the collection of taxes and the administration of state property; in short, without the official position or responsibility of an actual financial minister, he was able to exert ministerial authority.

Gentlemen, we are business men. Let us make this problem of economy and efficiency in the Government service our problem. No people understand the conduct of business better than do the American people. No people respond more quickly to an opportunity to improve business methods. As business men, we owe it to ourselves to support any efforts made by our Government to check waste and extravagance in government; just such active support as Chicago business men have been giving to the Secretary of the Navy in his struggle to place his great department on a sound business footing. It is the patriotic thing to do; it is an interesting thing to do, and it is something which we shall be forced to do in any event, for at the present time Government expenditures are straining to the utmost limit our governmental income. If the revenues from tariffs are to be lowered; if the revenues from any source are to be lowered, then the expenditures of the Government must be lowered or new forms of income must be devised. There is no alternative.

The United States can afford whatever is necessary to pay for economical, efficient, progressive governmental activities, provided they are directed along right lines. Whatever it costs, the protection of human life on the seas, the protection of labor on the railroads and in the workshops and in the mines, the care of the public health, the safeguarding of the interests of children, the recognition of art and letters and music, the conservation of our national resources; these are fields in which the activities of our Government may well be expanded. Our Army and our Navy, however small, must be maintained at the highest point of efficiency and preparedness. Our judges must be properly paid, and the operation of the great departments—like Justice and Agriculture and Commerce and Labor—in the interests of the whole people, must be pressed to the limit of efficiency. Every consideration should impel us as business men and as patriotic citizens to turn our attention to stopping senseless waste.

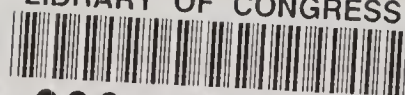
There are those who despair of securing efficiency from a democratic form of government. For myself, I do not despair of it. On the contrary, I believe that the most efficient and the most economical government in the world can be maintained and will be maintained in a democracy when the methods of transacting public business have been made simple, clear, and

understandable. In a civil service, defended from partisan and political attack from without, defended against superannuation and inefficiency from within, transacting and recording its business in such a way that an expert of the chartered accountant or comptroller type can go into the operations of any and every division of the Government and come out with a clear, understandable report—in such a service there will arise a healthful competition in efficiency and economy between the heads of the divisions and bureaus, and when that day comes the people will cease to view with distrust the enlargement of the beneficial activities of government.

UNION LEAGUE CLUB,
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